**MINUTES OF THE**

**CAPITAL TRUST AGENCY, INC.**

 The 219th meeting of the Capital Trust Agency, Inc., Gulf Breeze, Florida, was held at the Gulf Breeze City Hall at 315 Fairpoint Dr, Gulf Breeze, Florida and on Thursday, November 18, 2021 at 8:00 a.m.

 The following Board Members were present: Burt Snooks (Chairman), Gary Michaels (Vice-Chairman), Bob Cleveland (Secretary), Deborah Roche (Board Member), Chris Kemp (Assistant Secretary), and Tom Naile (Board Member). Also attending was Denis McKinnon (Executive Director), and Michael Stebbins (CTA Counsel). Attending via telephone conference was Kareem Spratling (BMO Bond Counsel) and Phil Guistolise (Trinity Partners). Special guest was Zach Rheuban, Project Manager for Blue Ocean Holdings, LLC

**AGENDA ITEM:**

 Approval of Minutes: 10/18/2021

**DISCUSSION:**

 No discussion

**MOTION/ACTION:**

**Tom Naile made a motion to approve the 10/18/2021 minutes as presented. Gary Michaels seconded the motion. Vote for approval was 6-0.**

**AGENDA ITEM:**

 Approval of Minutes: 10/28/2021

**DISCUSSION:**

No discussion

**MOTION/ACTION:**

**Tom Naile made a motion to approve the 10/28/2021 minutes as presented. Bob Cleveland seconded the motion. Vote for approval was 6-0.**

**AGENDA ITEM:**

 Award Resolution #32-21 – Kingdom Development, Inc (WPB Portfolio)

**DISCUSSION:**

 Kingdom Development, West Palm Beach project consists of 3 multi-family housing facilities with a combined total of 308 units. Sunset Place is the largest of the 3 with 191 units and is in need of the most renovation. Lancaster has 78 units and is in need of minor repairs. Charmer is the smallest with 39 units and has the smallest number of repairs to be completed.

 Denis McKinnon stated that he, Deborah Roche and Phil Guistolise recently inspected the properties in order to learn more about the renovations, repairs and security issues with each property. Deborah Roche stated that the Sunset property will need 100% new roofs and upgraded security cameras, motion lights and individual unit key fobs.

 Denis McKinnon stated that the bonds will have a 15-year maturity, callable after 7 years in order to refinance, payoff or sell. Bob Cleveland asked that Kingdom’s intentions are after the 7-year period. Zach Rheuban with Blue Ocean Holdings responded that they intend to keep the properties.

 Gary Michaels asked if all three properties had security cameras. Zach Rheuban responded that they have security cameras in the common areas and plan to install more cameras.

 Zach Rheuban stated that wall mounted AC units are to be installed in several bedrooms because the existing PTAC units are not sufficient to reach the bedrooms. Phil Guisitolise stated that he applauds this renovation as most for profit organizations would be ok with the existing air conditioning.

 Bob Cleveland asked if the units are 100% occupied, and 35% of the units are to be reduced to 80% area median income (AMI), please explain how the rent rolls show an increase, and how does the increase in rent rolls help the existing renters. Zach Rheuban responded that the increase is due to a 3% cost of living increase and the AMI scale is targeted to replacement units/renters.

 Chris Kemp asked if mold mediation is included in the capital improvement reserves. Zach Rheuban stated that if damage is discovered, additional operating reserves will kick in. Bob Cleveland asked if operating reserves can be used for capital improvements. Kareem Spratling stated that it can be done, however, it cannot be done in reverse: capital improvements cannot be set aside for operating reserves.

 Bob Cleveland asked why the seller would be willing to sell for 60 MM when the appraised value is 90 MM. Bob also asked for an explanation of the 2 MM contract assignment for the Purchase and Sale Agreement (PSA), the 2 MM developer fee and the $200,000 Home Office Fee. Zach Rheuban responded that the 2 MM PSA is for the independent investor who currently holds the contract to purchase, and the second 2 MM is to Blue Ocean for development fees, and the $200,000 Home Office fee is for the Kingdom Development. Bob stated this does not included the $200,000 additional monthly asset management fee to Blue Ocean.

Gary Michaels asked if the budgeted costs are accurate for the proposed scope of work. For example, the estimated cost for replacing 191 sliding glass doors is $230,000 and that seems rather low. Zach Rheuban responded that these numbers were pulled from a previous project recently completed in the area. Bob Cleveland cautioned that the budgeted numbers are not hard bids and can result in cost overruns. Mike Stebbins stated that if they encounter any significant changes, CTA would need to be notified of a Material Event.

Zach Rheuban stated the asset management fee would be used as a contingency fee if needed for out-of-pocket expenses. Bob Cleveland said it is not Blue Ocean’s responsibility to pay for cost overruns because they are not the borrower, or even the management company.

Bob Cleveland questioned why an 80 MM project only has 5-10 MM in improvements. Denis McKinnon stated that we are not asked to underwrite the project, only determine if it meets public purpose. Bob Cleveland asked if he disagrees with the underwriter, and the numbers as presented, is it reasonable that he would vote no on the project. Kareem Spratling responded that he could indeed vote no if he believes the payout to the players outweighs the benefit to public purpose.

Deborah Roche stated that although this type of project is definitely needed in this area, in her opinion, the development numbers are too high.

Kareem stated the transaction is lawful, CTA would receive a legal opinion from a sophisticated Bond Council, the project qualifies with state law purposes, and it has a basic level of public purpose because we have a LURA that will be recorded with the property that requires the property to be used for affordable public housing purpose. The decision for the board is to decide if there is a sufficient level of public purpose for your own analysis. Kareem suggested writing specific contractual obligations and requirements into the motion for approval in order to increase public purpose. Bob Cleveland said the proposed requirements are ambiguous and difficult to regulate.

Chris Kemp suggested that the borrower and developer be given another opportunity to come back to the board with a revised plan showing a more detailed scope of work, additional rehab funds, a more conservative development fee in order to migrate towards a middle ground. Bob Cleveland said if he saw additional money being spent in rehab, some movement towards a more conservative development fee that doesn’t outweigh improvement costs, a deal that would benefit the people living there, the public purpose that they are helping people is mitigated 1000%.

Zach Rheuban agreed that it would be beneficial to postpone action today and allow them to come back with a stronger case.

**MOTION/ACTION:**

**No Action Taken.**

**AGENDA ITEM:**

 Award Resolution #33-21 – Kingdom Development, Inc (Kensington Villas)

**DISCUSSION:**

Discussion postponed until further information is received from Kingdom Development.

**MOTION/ACTION:**

**No Action Taken.**

**AGENDA ITEM:**

 Supplemental Resolution #31-21 – Marie Selby Botanical Gardens

**DISCUSSION:**

 The CTA board previously approved an Authorizing Resolution for The Marie Selby Botanical Gardens in the amount of $30,000,000, however, the borrower’s Guaranteed Maximum Price (GMP) came back $6,000,000 higher than expected.

 The Borrower’s president, Jennifer Rominiecki has already raised an additional $3,000,000 in pledges order to assist with this increase.

**MOTION/ACTION:**

**Bob Cleveland made a motion to approve Supplemental Resolution #31-21 as presented. Chris Kemp seconded the motion. Vote for approval was 5-0.**

No other formal business of the board was taken and the meeting adjourned at approximately 9:40 pm.

Minutes submitted by: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ Connie Beargie, Office Administrator

Approved by: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ Burt Snooks, Chairman